

HOUSE BILL REPORT

HB 1028

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to apprenticeship utilization requirements on public works projects.

Brief Description: Providing for apprenticeship utilization requirements on public works projects.

Sponsors: Representatives Conway, Hankins, Sells, Simpson, Wood, Campbell, Santos, Green, McIntire, Morrell, Kenney, B. Sullivan, McCoy, Hasegawa, Chase and Ormsby; by request of Governor Locke.

Brief History:

Committee Activity:

Commerce & Labor: 1/19/05, 1/24/05 [DPS].

Brief Summary of Substitute Bill

- Requires that no less than 15 percent of total labor hours on state public works projects that are estimated to cost \$1 million or more be performed by apprentices.
- Permits awarding agencies to adjust apprentice utilization requirements for specified reasons.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Conway, Chair; Wood, Vice Chair; Hudgins and McCoy.

Minority Report: Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Crouse and Sump.

Staff: Jill Reinmuth (786-7134).

Background:

Under Executive Order 00-01, state agencies under the Governor's authority must require that apprentices enrolled in state-approved apprenticeship training programs participate in public works projects.

Requirements for Apprentice Utilization

The requirements for apprentice utilization are as follows:

- 10 percent of total labor hours for contracts of more than \$2 million awarded from July 1, 2000, through December 31, 2002;
- 12 percent of total labor hours for contracts of more than \$2 million awarded from January 1, 2003, through December 31, 2003; and
- 15 percent of total labor hours for contracts of more than \$1 million awarded from January 1, 2004, forward.

Adjustments to Utilization Requirements

Agency directors are permitted to adjust these requirements for specific projects for the following reasons:

- a demonstrated lack of availability of apprentices in specific geographic areas;
- a disproportionately high ratio of material costs to labor hours;
- a demonstrated good faith effort by participating contractors to comply with the requirements of Executive Order 00-01; or
- other criteria the agency director deems appropriate, subject to prior review by the Office of the Governor.

Summary of Substitute Bill:

The requirement for apprentice utilization in public works projects and reasons for adjusting the requirement, as set forth in Executive Order 00-01, are codified.

Requirement for Apprentice Utilization

For public works estimated to cost \$1 million or more, the specifications must require that no less than 15 percent of the labor hours be performed by apprentices enrolled in state-approved apprenticeship training programs. This apprentice utilization requirement applies to public works contracts awarded by state agencies except for state four-year institutions of higher education, state agencies headed by a separately elected public official, and the Department of Transportation. This apprentice utilization requirement is consistent with the requirement in Executive Order 00-01.

Adjustments to Utilization Requirement

Awarding agencies may adjust this apprentice utilization requirement for specific projects for the same reasons as specified in Executive Order 00-01.

Reporting Requirements

The Department of General Administration, with the assistance of the Department of Labor and Industries, must provide information and technical assistance to affected agencies. The Department of General Administration also must collect certain data on covered projects from affected agencies.

At the request of the Senate Labor, Commerce, Research, & Development Committee, the House Commerce & Labor Committee, or their successors, and the Governor, the Department of General Administration and the Department of Labor and Industries must compile and summarize the data and provide a joint report to both committees. The report must include recommendations on modifications or improvements to the apprentice utilization program, and information on skill shortages in each trade or craft.

Substitute Bill Compared to Original Bill:

An emergency clause, which specifies that the bill take effect immediately, is added. A technical correction is made.

Rules Authority: The bill does not contain provisions addressing the rule-making powers of an agency.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: More work in the construction trades is the best means for more apprentices to acquire the knowledge necessary to address the skills gap. Currently, construction workers are 44 to 48 years of age, and many will be eligible for pensions at 55 to 57 years of age. The key is not a lack of apprentices, but a lack of jobs. There are more than 500 apprentices who are out of work now, and nearly 2,000 persons on waiting lists to become apprentices.

Apprenticeship utilization standards are good public policy. A skilled and trained workforce is essential to the state's economic health and vitality. Construction jobs are high-skill, high wage jobs that are not likely to be offshored.

The Department of General Administration has worked under the Governor's Executive Order on apprenticeship utilization for four years now. The program has worked smoothly, with not a lot of impact on the projects. There were some initial set up costs, and there are some continuing costs for project managers to spend a minimal amount of time collecting data. Although the Department expected more complaints from contractors, there has only been one request to change the requirements due to the availability of apprentices.

King County has required apprenticeship utilization since 1993. School districts, ports, and private contractors also require apprenticeship utilization. Students at the New Market Skills Center have been able to get work because of the Tumwater School District's apprenticeship

utilization requirements. Snohomish County has had tremendous success using apprenticeship utilization requirements for its new campus. The project is on time and under budget, and has far exceed the 15 percent apprenticeship utilization requirement set by the County Council. The Everett Event Center was also on time and under budget, and far exceed the apprenticeship utilization requirement.

Apprenticeship utilization can result in cost savings. Depending on their skill level, apprentices are paid less than journey level workers.

Apprenticeship utilization requirements are low. They will not come close to what it will take to replace the journey level workforce that is about to retire.

Apprenticeship utilization requirements do not cause displacement of journey level workers. Ratio requirements ensure that, for every apprentice on a job site, there are a certain number of journey level workers.

The Department of Labor and Industries and the Apprenticeship Training Council have moved forward in terms of access for open shop programs. Objections and appeals by others are creating delay. These objections and appeals are beyond the Department's and the Council's control.

Apprenticeship programs have given people options, and changed their lives. Apprentices can earn both their journey level card and an associate of arts degree, and do not have any debt when they complete their education and training. They are able to support themselves and their families. Apprentice carpenters earn \$17.04 per hour, and journey level carpenters earn \$28.07 per hour. Apprentice laborers earn \$12.40 per hour.

Testimony Against: Contractors are supportive of apprenticeship programs, but not apprenticeship utilization requirements.

Apprenticeship utilization requirements force some contractors to stop bidding on public works projects. This loss of competition will cause public works costs to go up.

Apprenticeship utilization requirements will cause displacement of journey level workers. There may not be enough journey level workers to satisfy the ratio requirements set by apprenticeship programs. For some trades, there are no apprenticeship programs in the country. Apprenticeship utilization requirement cannot be satisfied by those trades, and will have to be made up by other trades.

Open shop contractors do not have equal access to apprenticeship. Open shop contractors need a level playing field. The Department of Labor and Industries and the Apprenticeship Council are no longer barriers to access, but unions file objections and force open shop programs to litigate to become approved. Consequently, there are not enough open shop apprenticeship programs. There are four open shop apprenticeship programs in the construction industry that are operating statewide, and three additional open shop programs operating only in western Washington.

Apprenticeship utilization requirements do not address the skills gap problem. They are impractical in the real world. They do not create new positions, nor do they attract people. These mandates interfere with collective bargaining, and restrict contractors' abilities to manage their workforces and deliver quality projects. Contractors are forced to manage based on mandates instead of based on good business practices. There should be incentives instead of mandates.

Some apprenticeship programs require that apprentices have a range of training in order to achieve journey level status. They move their apprentices around so that, by the time they complete their apprenticeships, they have experienced the vast majority of work they'll eventually be required to do. Apprenticeship utilization requirements hamper such training programs because apprentices must be used on public works projects rather than moved around.

This is only a first step. If this bill is passed, there will soon be efforts to expand apprenticeship utilization requirements to types of other projects.

Apprenticeship utilization requirements are not about workforce training. Instead, they give union contractors a competitive advantage over open shop contractors on public works projects.

The fiscal note is zero only because the state is already doing it.

Persons Testifying: (In support) Dave Johnson, Washington State Building & Construction Trades Council; Randy Loomans, Washington State Labor Council; John Aultman, New Market Skills Center; Chad Brahs, Ironworkers Local 86; Taegan Hill, International Union of Operating Engineers Local 302; Sherry L. Barry, Laborers Local 252; John Torkelson, and Jibril Leigh, Carpenters Local 1797; Lee Newgent, Ironworkers Local 86; Darrell L. Chapman, International Brotherhood of Electrical Workers Local 191; Jared McLeod, Laborers Local 252; and Mykal Talor, Ironworkers Local 86.

(Opposed) Rick Slunaker, Associated General Contractors; Judith Jewell, Olympian Precast; Sandra Olson, Construction Industry Training Council; Gary Smith, Independent Business Association; Larry Stevens, National Electrical Contractors Association and Mechanical Contractors Association; Tom Gaetz, Washington Asphalt Paving Association; and Kathleen Garrity, Associated Builders and Contractors.

(Information only) John Lynch, Washington Department of General Administration; and Anne Wetmore, U.S. Department of Labor.

Persons Signed In To Testify But Not Testifying: (In support) Jody Robbins, Washington Sheet Metal Joint Apprenticeship Training Council.